

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SEPARATION OF COSTS OF REGULATED	)	
TELEPHONE SERVICE FROM COSTS OF	)	ADMINISTRATIVE
NONREGULATED ACTIVITIES	)	CASE NO. 362

ORDER

Subsequent to the Federal Communications Commission ("FCC") order in Case No. 96-490, the Commission initiated this case by Order dated March 19, 1997 ("the March Order"). The purpose of the proceeding was to investigate the need for modifications to the cost allocation manuals ("CAMs") of the incumbent local exchange carriers ("ILECs") as a result of the FCC's actions. The March Order required BellSouth Telecommunications, Inc. ("BellSouth"), GTE South Incorporated ("GTE"), and Cincinnati Bell Telephone Company ("CBT") to file changes to their current CAMs concurrently with filing such changes with the FCC. The Order also required Telephone and Data Systems, Inc. ("TDS") and ALLTEL Kentucky, Inc. to file internal CAMs and the Independent Telephone Group<sup>1</sup> ("ITG") to file a proposed revised CAM. On April 23, 1997, the Commission ordered all ILECs to file revised tariffs removing telemessaging and alarm monitoring services as regulated services. The ITG's position on a revised CAM, as filed

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<sup>1</sup> Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Duo County Telephone Cooperative Corporation, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc.

on May 17, 1997, was that the existing CAM adequately met the requirements for proper cost allocations. Finally, on July 1, 1997, the Commission ordered those ILECs not filing revised tariffs to advise the Commission as to why revised tariffs were not required and compelled CBT and TDS to file their CAMs immediately. The Commission also ordered the ITG to file responses to a proposed CAM included as Appendix 1. All companies have filed tariffs or letters as to why tariffs are not required, and CBT and TDS have filed their respective CAMs.

On July 31, 1997, the ITG filed its response to the proposed CAM. The ITG stated its position on each of the nine proposed changes to its existing CAM, disagreeing with the proposals in four instances as discussed below.

Account 6512.000, Provisioning Expense

The ITG proposed to spread this account based on labor hours rather than the general allocator. The ITG's rationale was that using the general allocator would neglect to spread any amounts to plant under construction and using labor hours would be a more representative measure of cost causation. The Commission agrees with the ITG position and will change the CAM accordingly.

Accidents and Damages - Account 6728.200

The ITG's position was that these charges occur infrequently and direct assignment, not the general allocator, is the most accurate method to allocate these costs. Past CAM reviews support the ITG's position that these charges occur infrequently and that, in general, the charges are *de minimis* in nature. Therefore, the Commission accepts the ITG's position that Accidents and Damages remain a directly assigned expense based upon account analysis.

#### Other Operating Taxes - Account 7240

As described in Part 32 of the Uniform System of Accounts for Telecommunications Companies, this account shall include all taxes other than federal, state, and local income taxes and payroll-related taxes. Among the items includable in this account are state and local property taxes and the PSC assessment. The existing CAM requires that these taxes be allocated to regulated and nonregulated activities based on gross plant. However, they are also included in the general allocator calculation as directly assigned to regulated and nonregulated activities.

The ITG's position is that the account should be directly assigned using net plant as the allocator, but remain a part of the general allocator calculation. The Commission agrees that the property taxes included in this account should be allocated to regulated and nonregulated activities based on net plant. The PSC assessment included in this account should be directly assigned to regulated activities. The Commission also finds that other Operating Taxes should remain a part of the general allocator calculation.

#### Interest on Funded Debt - Account 7510

The ITG's position is that the current CAM procedures for this account are correct since the loans associated with the interest in this account were approved and utilized exclusively for the construction of regulated plant. Currently the CAM directly assigns all interest in this account to regulated activities and the account is included in the general allocator calculation.

Loans were approved for construction of regulated plant. However, a portion of that plant such as buildings, motor vehicles and equipment is used by the ITG in providing nonregulated activities. Also, formerly regulated lines of business such as CPE, including

key systems and PBX's, payphones and voice mail, have now become nonregulated. Therefore, construction loans produce a benefit to both regulated and nonregulated activities and a portion of their costs should be allocated to each.

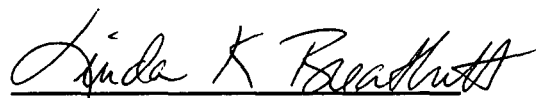
The Commission will therefore require interest on funded debt to be allocated to regulated and nonregulated activities based upon net plant. However, this account should remain in the general allocator calculation.

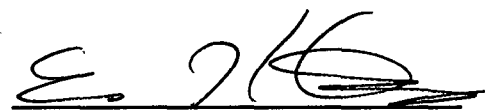
IT IS THEREFORE ORDERED that:

1. The proposed CAM shall be modified as directed in this Order. A modified copy is attached as Appendix A.
2. All other CAMs submitted by parties to this case are approved.

Done at Frankfort, Kentucky, this 3rd day of October, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN ADMINISTRATIVE CASE NO. 362 DATED OCTOBER 3, 1997

**COST ALLOCATION PROCEDURES  
INDEPENDENT TELEPHONE GROUP  
PSC ADMINISTRATIVE CASE NO. 362**

**Introduction**

Cost allocation procedures were developed for the ITG in Administrative Case No. 321 in the late 1980s. Since that time many new nonregulated services have been introduced and some previously regulated services have been deregulated. The modifications to the existing CAM include these recently deregulated items and new services and change the treatment of Interest on Funded Debt and certain other accounts to reduce the amount of analysis required for allocation of these accounts. Because investments in nonregulated ventures have grown over the years, it is appropriate to include a portion of the cost of debt in the nonregulated expenses. Preceding the CAM is a summary of the proposed changes to the cost allocation procedures. Additionally, to ensure that all LECs using the ITG CAM are applying a consistent methodology, the following procedures should be used when applying the ITG CAM.

**Procedures**

1. At month end after entries are made to book all expenses and payroll, perform all spreads to clearing accounts.
2. Calculate General Allocator based on 12 months to date expenses, including the current month.
3. Apply General Allocator percentage to the common accounts' balance for the current month.

4. Calculate the percentage of nonregulated revenues and regulated revenues to total revenues for allocation of uncollectible revenue to nonregulated.
5. Calculate the percentage of nonregulated net plant and regulated net plant to total net plant for allocation of Other Operating Taxes and Interest on Funded Debt.
6. Post entries from steps 3, 4, and 5.

### **Modifications**

The following modifications to the existing ITG CAM are to simplify procedures and capture expenses that are attributable to nonregulated operations.

1. Account 6351.000, Paystation Expense

The apportionment basis should be changed to Directly Assignable to Nonregulated and the account should be removed from the Directly Assignable Regulated Expenses and entered into the Directly Assignable Nonregulated Expenses in the general allocator formula.

2. Account 6512.000, Provisioning Expense

This account should be spread based on labor hours.

3. Accounts 6611.000, Product Management Expense; 6612.000, Sales Expense; and 6613.000, Product Advertising Expense

The work performed by employees included in these accounts can be for both regulated and nonregulated products. However, since time is generally recorded to these accounts in half-hour increments, the time expended on nonregulated products and

services may not be properly captured. Therefore, to capture a portion of these expenses as nonregulated, the general allocator should be used.

Also it is possible to commingle products and services in advertisements. Direct assignment to regulated or nonregulated operations for mixed advertisements creates an unnecessary burden on a company's staff by requiring detailed examination of non-labor expenditures in these accounts; therefore, allocating all advertisement based on the general allocator will eliminate the necessity for such an examination. These accounts should also be removed from the general allocator formula because they will no longer be directly assigned.

4. Account 6623.400, Paystation Collection

The apportionment basis should be changed to Directly Assignable to Nonregulated and the account should be removed from the Directly Assignable Regulated Expenses and entered into the Directly Assignable Nonregulated Expenses in the general allocator formula.

5. Account 7220.000, Federal Income Taxes

The general allocator formula shown in Exhibit B should reflect those Federal Income Taxes directly assignable to nonregulated activities.

6. Account 7230.000, State and Local Income Taxes

This account should be added to the CAM and its treatment should be consistent with Account 7220.000, Federal Income Taxes.

7. Account 7240.000, Other Operating Taxes

Other Operating Taxes should be allocated based on net plant, and removed from the general allocator formula.



8. Account 7240.100, PSC Assessment

This account is added to segregate this charge from the Other Operating Taxes account. The PSC Assessment should be directly assigned to regulated operations.

9. Account 7510.000, Interest on Funded Debt

This account shall be allocated to regulated and nonregulated activities based on net plant and should be included in the general allocator formula.

**CAM Description**

Cost allocation procedures described herein are designed to allocate costs between the regulated and nonregulated activities of the company. Upon implementation, these procedures will ensure that the costs and risks associated with nonregulated activities will not be unduly imposed on the regulated ratepayer.

Costs will be directly assigned to either regulated or nonregulated accounts whenever possible. For example, direct labor will be assigned to either regulated or nonregulated accounts through time reporting procedures in 1/2 hour increments. Expenditures relating to nonregulated activities such as CPE, inside wiring, paging, paystation activities, telemessaging and alarm monitoring service, the provision of Internet service, and any other currently tariffed service which becomes nonregulated in the future will be directly assigned to the nonregulated expense accounts. Costs that cannot be directly assigned and are deemed to be common costs will be allocated to regulated and nonregulated activities based on direct and indirect measures of cost causation. These common costs will be apportioned to regulated and nonregulated accounts based on one of the following:

- Direct Plant Labor Hours
- Total Labor Dollars
- Revenues
- Net Plant
- General Allocator Based On Directly Assignable Expenses.

Whenever possible, the basis used in allocating common cost will have a direct relationship to the cost (e.g., direct labor hours in allocating nonproductive time such as vacation, sick leave, etc.).

The attached Exhibit A provides an analysis by USOA Part 32' accounts detailing the methodologies for distributing costs to regulated and nonregulated activities either by direct assignment or allocation basis. This list of accounts is not intended to be all-inclusive since each LEC company utilizes specific subaccounts. However, the distribution of cost for these subaccounts should be consistent with the accounts as shown. The attached Exhibit B also provides a detailed calculation for determining the general allocator.

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EXHIBIT A  
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ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
5301.000	UNCOLLECTIBLE REVENUE - TELECOMMUNICATIONS	REVENUES	DIRECT RELATIONSHIP TO PERCENTAGE OF REGULATED AND NONREGULATED REVENUES
6112.000	MOTOR VEHICLE EXPENSE - CLEARING	DIRECT (PLANT) LABOR HOURS	FOLLOWS DIRECT RELATIONSHIP OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6112.050	VEHICLE EXPENSE-NONSPECIFIC PLANT	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM VEHICLE CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC. EXPENSE BASED ON DIRECT LABOR HOURS
6112.100	VEHICLE EXPENSE-EXECUTIVE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6116.000	OTHER WORK EQUIPMENT EXPENSE- CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6116.050	WORK EQUIPMENT EXPENSE - NON- SPECIFIC PLANT	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM WORK EQUIPMENT CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC. EXPENSE BASED ON DIRECT LABOR HOURS.
6121.000	LAND AND BUILDING EXPENSE (NON-HEADQUARTERS)	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT IN REGULATED ACCOUNTS.
6121.100	BUILDING EXPENSE-HEADQUARTERS	GENERAL ALLOCATOR	REPAIRS, JANITORIAL SUPPLIES, UTILITIES, ETC. FOR HEADQUARTERS BUILDING IS SUBACCOUNTED TO FACILITATE ALLOCATION.
6122.000	FURNITURE & ARTWORK EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6123.000	OFFICE EQUIPMENT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6124.000	GENERAL PURPOSE COMPUTER EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6211.000	ANALOG ELECTRONIC EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6212.000	DIGITAL COE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6212.100	REPAIR OF SPECIAL CIRCUIT	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6215.000	ELECTRO-MECHANICAL EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT

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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6220.000	OPERATORS SYSTEM EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6231.000	RADIO SYSTEMS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.100	DIGITAL CARRIER TOLL EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.110	DIGITAL CARRIER EAS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.120	DIGITAL CARRIER SUBSCRIBER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.200	ANALOG CARRIER SUBSCRIBER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6351.000	PAYSTATION EXPENSE	DIRECTLY ASSIGNABLE TO NONREGULATED	DETARIFFED SERVICE
6411.000	POLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6411.100	POLE EXPENSE-JOINT USE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6411.200	POLE EXPENSE-RIGHT OF WAY	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6421.000	AERIAL CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6421.100	STATION CONNECTION - OUTSIDE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6422.000	UNDERGROUND CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6423.000	BURIED CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6424.000	SUBMARINE CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6431.000	AERIAL WIRE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT

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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6441.000	CONDUIT SYSTEM EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6512.000	PROVISIONING EXPENSE	DIRECT (PLANT) LABOR HOURS	FOLLOWS DIRECT RELATIONSHIP OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6531.000	POWER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	MAINTAINING TRANSMISSION POWER FOR TARIFF (REGULATED) SERVICES
6532.000	NETWORK ADMINISTRATION EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.100	TESTING EXPENSE - LOCAL	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.200	TESTING EXPENSE - TOLL	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.300	TESTING EXPENSE - EAS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6534.000	PLANT ADMINISTRATION EXPENSE - CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6534.100	PLANT ADMINISTRATION EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC EXPENSE ACCOUNTS BASED ON DIRECT LABOR HOURS
6535.000	ENGINEERING EXPENSE - CLEARING	DIRECTLY ASSIGNABLE TO REGULATED WITH CREDITS FOR AMOUNTS TRANSFERRED TO CONSTRUCTION ACCOUNTS BASED ON REGULATED DIRECT LABOR HOURS	EXPENSE FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6535.100	ENGINEERING EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM ENGINEERING CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC EXPENSE ACCOUNTS BASED ON REGULATED DIRECT LABOR HOURS
6540.000	ACCESS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES.

COST ALLOCATION PROCEDURES - INDEPENDENT TELEPHONE GROUP  
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ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6561.000	DEPRECIATION EXPENSE-REGULATED PLANT IN SERVICE	REGULATED PLANT DEPRECIATION EXPENSE DIRECTLY ASSIGNABLE TO REGULATED, NONREGULATED PLANT DEPRECIATION EXPENSE DIRECTLY ASSIGNED TO NONREGULATED	FOLLOWS INVESTMENT
		COMMON DEPRECIATION EXPENSE ALLOCATED BY GENERAL ALLOCATOR AS FOLLOWS: FURNITURE DEP. EXPENSE - OTHER OFFICE EQ. DEP. EXP. - GENERAL PURPOSE COMPUTER DEPRECIATION EXPENSE - HEADQUARTERS (BUSINESS OFFICE) DEP. EXPENSE -	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6561.025	DEPRECIATION EXPENSE-VEHICLE CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6561.026	DEPRECIATION EXPENSE-VEHICLE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM CLEARING ACCOUNT TO REGULATED PLANT NON- SPECIFIC EXPENSE ACCOUNTS BASED ON DIRECT LABOR HOURS
6561.030	DEPRECIATION EXPENSE - EXTRA- ORDINARY RETIREMENT	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.200	AMORTIZATION EXPENSE - EMBEDDED INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.300	AMORTIZATION EXPENSE - 1ST YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.400	AMORTIZATION EXPENSE - 2ND YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.500	AMORTIZATION EXPENSE - 3RD YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6611.000	PRODUCT MANAGEMENT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6612.000	SALES EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6613.000	PRODUCT ADVERTISING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES

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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6621.100	OPERATOR SERVICES	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6622.100	NUMBER SERVICES	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6623.000	CUSTOMER SERVICES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.100	COLLECTION EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.200	CUSTOMER SERVICES-SUPPLIES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.300	CABS BILLING EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6623.400	PAYSTATION COLLECTION	DIRECTLY ASSIGNABLE TO NONREGULATED	DETARIFFED SERVICE
6711.000	EXECUTIVE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.500	DIRECTOR EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.600	MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.700	ANNUAL MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6712.000	PLANNING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.000	ACCOUNTING & FINANCIAL	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.100	ANNUAL AUDIT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.200	NECA ADMINISTRATIVE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6722.000	EXTERNAL RELATIONS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES INCURRED IN PROVIDING TARIFF SERVICES

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ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6722.100	REGULATORY AFFAIRS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES INCURRED IN PROVIDING TARIFF SERVICES
6723.000	HUMAN RESOURCES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6723.100	INTERNAL MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6724.000	INFORMATION MANAGEMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6725.000	LEGAL	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6726.000	PROCUREMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.000	OTHER GENERAL & ADMINISTRATIVE EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.010	GENERAL & ADMIN. EXPENSE- A/R ADJUSTMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.100	INSURANCE EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.200	ACCIDENT & DAMAGES	DIRECTLY ASSIGNABLE TO REGULATED AND NONREGULATED	NATURE OF CHARGE WILL DETERMINE ASSIGNMENT
6728.300	ASSOCIATION DUES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.600	GENERAL PUBLICATIONS	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
7220.000	FEDERAL INCOME TAX	DIRECTLY ASSIGNABLE TO REGULATED AND NONREGULATED	CHARGE DIRECTLY AS IF SEPARATE RETURNS WERE FILED
7230.000	STATE AND LOCAL INCOME TAX	DIRECTLY ASSIGNABLE TO REGULATED AND NONREGULATED	CHARGE DIRECTLY AS IF SEPARATE RETURNS WERE FILED
7240.000	OPERATING OTHER TAXES	NET PLANT	PROPERTY TAXES ALLOCATED BASED ON PERCENTAGE OF REGULATED AND NONREGULATED NET PLANT TO TOTAL NET PLANT
7240.100	PSC ASSESSMENT	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES



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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
7370.000	SPECIAL CHARGES CONTRIBUTIONS	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
7510.000	INTEREST ON FUNDED DEBT	NET PLANT	REA INTEREST ON FUNDED DEBT FOR REGULATED AND NONREGULATED ACTIVITIES.
7540.000	OTHER INTEREST DEDUCTIONS	DIRECTLY ASSIGNABLE TO REGULATED	INTEREST ON SECURITY DEPOSIT FOR REGULATED SERVICES
7620.000	EXTRAORDINARY INCOME CHARGES	DIRECTLY ASSIGNABLE TO REGULATED OR NONREGULATED	NATURE OF EXTRAORDINARY CHARGE WILL DETERMINE HOW IT IS ASSIGNED
7990.240- 7990.550	NONREGULATED EXPENSE ACCOUNTS	DIRECTLY ASSIGNABLE TO NONREGULATED	EXPENSES ASSOCIATED WITH NONREGULATED ACTIVITIES
9010.000	PLANT CLEARING-NONPRODUCTIVE	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR MONTH
9020.000	CLEARING - PAYROLL BENEFITS	TOTAL LABOR DOLLARS	ALLOCATED BASED ON RELATIONSHIP TO PAYROLL DOLLARS DIRECTLY ASSIGNED TO REGULATED AND NONREGULATED

GENERAL ALLOCATOR CALCULATION  
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$$\text{General Allocator} = \frac{\text{Total Nonregulated Directly Assignable Expenses}}{\text{Total Regulated Directly Assignable Expenses} + \text{Total Nonregulated Directly Assignable Expenses}}$$

<u>A/C #</u>	<u>Description</u>
7990.240	Nonreg. - Maintenance Expense
7990.305	Nonreg. - PBX Repair
7990.380	Nonreg. - Key System Repair
7990.500	Nonreg. - Pager Supply Expense
7990.510	Nonreg. - Inside Wire Repair
7990.520	Nonreg. - Single Line Station Installation & Removal
7990.525	Nonreg. - Key System Installation & Removal
7990.530	Nonreg. - Single Line Station Repair
7990.535	Nonreg. - Paging Equipment Expense
7990.540	Nonreg. - Depreciation Expense
7990.545	Nonreg. - Depreciation Expense - Vehicle
6351.000	Nonreg. - Paystation Expense
6623.400	Nonreg. - Paystation Collection
6728.200	Nonreg. - Accidents and Damages
7220.100	Nonreg. - Federal Income Taxes
7230.100	Nonreg. - State and Local Income Taxes
7240.000	Nonreg. - Other Operating Taxes
7510.000	Nonreg. - Interest on Funded Debt
	Nonreg. - *** <sup>1</sup>

Total      Nonregulated Directly Assignable Expense

<sup>1</sup> \*\*\*Any other expense associated with service currently deregulated i.e. telemessaging of alarm monitoring service or services deregulated in the future.

GENERAL ALLOCATOR CALCULATION  
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<u>A/C #</u>	<u>Description</u>
6112.050	Vehicle Expense-Nonspecific Plant
6116.050	Work Eq. Expense-Nonspecific Plant
6121.000	Land & Building Expense
6211.000	Analog Electronic Expense
6212.000	Digital COE Expense
6212.100	Repair of Special Circuit
6215.000	Electro-mechanical Expense
6220.000	Operators System Expense
6231.000	Radio Systems Expense
6232.100	Digital Carrier Toll Expense
6232.110	Digital Carrier EAS Expense
6232.120	Digital Carrier Subscriber Expense
6232.200	Analog Carrier Subscriber Expense
6411.000	Pole Expense
6411.100	Pole Expense-Joint Use
6411.200	Pole Expense-Right of Way
6421.000	Aerial Cable Expense
6421.100	Station Connection-Outside
6422.000	Underground Cable Expense
6423.000	Buried Cable Expense
6424.000	Submarine Cable Expense
6431.000	Aerial Wire Expense
6441.000	Conduit System Expense
6531.000	Power Expense
6532.000	Network Administration Expense
6533.100	Testing Expense - Local
6533.200	Testing Expense - Toll
6533.300	Testing Expense - EAS
6534.100	Plant Administration Expense
6535.100	Engineering Expense
6540.000	Access Expense
6561.000	Dep. Exp.-Reg. Plant In Service
6561.026	Dep. Exp.-Vehicle
6561.030	Dep. Exp.-Extraordinary Retirement
6565.200	Amortiz. Exp.-Emb. Inside Wiring
6565.300	Amortiz. Exp.-1st Year Inside
6565.400	Amortiz. Exp.-2nd Year Inside
6565.500	Amortiz. Exp.-3rd Year Inside
6621.100	Operator Services
6622.100	Number Services
6623.300	CABS Billing Expense
6721.200	NECA Administrative Expense
6722.000	External Relations
6722.100	Regulatory Affairs
7220.000	Federal Income Taxes
7230.000	State and Local Income Taxes
7240.000	Other Operating Taxes
7240.100	PSC Assessment
7510.000	Interest on Funded Debt
7540.000	Other Interest Deductions
7620.000	Extraordinary Income Charges
7990.240	Nonreg. - Maintenance Expense
7990.305	Nonreg. - PBX Repair
7990.380	Nonreg. - Key System Repair
7990.500	Nonreg. - Pager Supply Expense
7990.510	Nonreg. - Inside Wire Repair
7990.520	Nonreg. - Single Line Station Installation & Removal
7990.525	Nonreg. - Key System Installation & Removal
7990.530	Nonreg. - Single Line Station Repair
7990.535	Nonreg. - Paging Equipment Expense
7990.540	Nonreg. - Depreciation Expense
7990.545	Nonreg. - Dep. Expense - Vehicle
6351.000	Nonreg. - Paystation Expense
6623.400	Nonreg. - Paystation Collection Expense
7240.000	Nonreg. - Other Operating Taxes
7510.000	Nonreg. - Interest on Funded Debt
	Nonreg. - ***2

Total Regulated Directly Assignable Expenses + Nonregulated Directly Assignable Expenses

<sup>2</sup> \*\*\*Any other expense associated with service currently deregulated i.e. telemessaging of alarm monitoring service or services deregulated in the future.